

ORIGINAL
NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF)
UNS GAS, INC. FOR APPROVAL OF A)
TEMPORARY PURCHASED GAS ADJUSTOR)
CREDIT)

DOCKET NO. G-04204A-13-0314

APPLICATION

Expedited Treatment Requested

UNS Gas, Inc. ("UNS Gas" or "Company"), through undersigned counsel, hereby requests that the Arizona Corporation Commission ("Commission") approve an increase in the Company's existing temporary Purchased Gas Adjustor ("PGA") credit from \$0.045 per therm to \$0.10 per therm in order to reduce a significant surplus in the PGA bank.¹ UNS Gas further requests that the increased credit become effective on November 1, 2013 and that it expire on April 30, 2014.

Approval of the requested increase in the PGA credit will result in a *decrease* of \$3.49 per month (5.52%) in the *current* projected average residential bill.² The Company believes that Commission approval of an increased temporary credit as set forth in this Application is in the public interest. In support thereof, UNS Gas states as follows:

1. In Decision No. 70011 (November 27, 2007), the Commission set the threshold to trigger a refund from the PGA bank balance at \$10 million. Under UNS Gas' PGA (UNS Gas' Rider RR-1 Purchased Gas Adjustment), the Company must either: (i) file an application for a credit adjustment within 45 days of the Company's monthly information filing that illustrates the

¹ The current credit adjustment was approved in Decision No. 73143 (May 1, 2012) was set to expire April 30, 2014.

² The current average bill already reflects the existing credit. The increase in the credit results in this estimated decrease in the bill.

1 \$10 million threshold has been exceeded, or (ii) justify why a credit adjustment is not in the public
2 interest. UNS Gas filed an application for a credit adjustment on February 29, 2012 when the
3 bank balance was estimated to reach \$10 million by the end of February. UNS Gas requested that
4 a \$0.045 per therm credit begin May 1, 2012 and continue through April 30, 2014. This
5 adjustment was approved and went into effect May 2012 to coincide and help offset the
6 implementation of the rate increase approved by Decision No. 73142 (May 1, 2012).

7 2. Since May 2012, when the current temporary PGA credit was approved, actual gas
8 prices have been below levels included in our prior forecasts. The current PGA balance has
9 reached a surplus of \$14.2 million as of September 2013. In addition, UNS Gas will be receiving
10 a refund of approximately \$3.6 million from El Paso Natural Gas ("El Paso") from the recent
11 settlement of El Paso's FERC rate case. As a result, the PGA bank balance will reach an
12 estimated surplus of approximately \$17.3 million.

13 3. Taking into consideration the PGA bank balance and current market conditions,
14 UNS Gas proposes to increase the temporary PGA credit from \$0.045 per therm to \$0.10 per
15 therm for the period of November 1, 2013 through April 30, 2014. If the Company's proposal is
16 accepted, the average total bill for residential customers will *decrease* by \$3.49 per month (5.52%)
17 from the *current* average projected total bill as calculated taking into consideration the \$0.045 per
18 therm PGA credit already in place.

19 4. The Company believes that the proposed term for the increased credit is appropriate
20 given the estimated impact on the PGA bank balance. However, while natural gas prices have
21 remained at relatively low levels since the establishment of the PGA credit in May of 2012, the
22 natural gas markets are prone to periods of unforeseen volatility. An increase of \$1.00 per
23 dekatherm in the cost of natural gas would increase the cost of service by more than \$8.0 million
24 in the winter months alone. Therefore, the Company also requests that the temporary credit be
25 terminated in the event the PGA bank balance reaches zero at any time during the proposed term.³

26
27 ³ Moreover, in mid-2014, UNS Gas will evaluate market conditions in order to determine whether the PGA
bank balance supports establishment of a new temporary PGA credit during the winter period of November
1, 2014 through April 30, 2015.

1 5. In support of this Application, UNS Gas is providing three attachments.
2 Attachment A is a graph of the estimated PGA bank balance that reflects the status quo of the
3 \$0.045 per therm credit already in place through April 30, 2014. Attachment A demonstrates that
4 the PGA bank balance is estimated to remain above \$10 million under the status quo.

5 6. Attachment B is a graph showing the projected PGA bank balance under the
6 following three scenarios to provide the Commission perspective with respect to the Company's
7 proposal:

- 8 a. maintaining the current credit of \$0.045 per therm through April 30, 2014;
9 b. increasing the credit to \$0.07 per therm for the period November 1, 2013
10 through April 30, 2014; and
11 c. increasing the credit to \$0.10 per therm for the period November 1, 2013
12 through April 30, 2014.

13 7. Attachment C is a table showing average monthly residential bills (usage of 72
14 therms) for three scenarios:

- 15 a. Column A provides the estimated bill for a residential customer at current
16 rates, including the \$0.045 per therm credit in effect through April 30, 2014
17 b. Column B provides the estimated bill for a residential customer at current
18 rates but substituting a PGA credit of \$0.07 per therm from November 1, 2013 through April 30,
19 2014.
20 c. Column C provides the estimated bill for a residential customer at current
21 rates but substituting a PGA credit of \$0.10 per therm from November 1, 2013 through April 30,
22 2014 (i.e. the Company's proposal in this Application).

23 Lines 21 and 22 of Attachment C set forth the bill impacts of modifying the existing PGA
24 credit.

25 8. UNS Gas believes increasing the temporary PGA credit to \$0.10 per therm during
26 the upcoming winter is necessary to effectively address the PGA bank balance surplus. It also
27 provides significant bill impact relief for its customers.

1 WHEREFORE, UNS Gas respectfully requests that the Commission issue an order
2 approving a temporary PGA credit adjustment of \$0.10 per therm for the period November 1,
3 2013 through April 30, 2014.

4
5 RESPECTFULLY SUBMITTED this 13th day of September 2013.

6 UNS GAS, INC.

7
8 By 

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21 Original and 13 copies of the foregoing
22 filed this 13th day of September 2013, with:

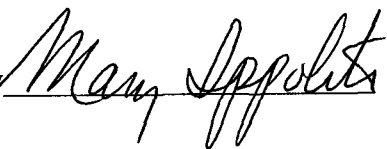
23 Docket Control
24 Arizona Corporation Commission
25 1200 West Washington Street
26 Phoenix, Arizona 85007

27 Copies of the foregoing hand-delivered/mailed
this 13th day of September 2013, to:

Lyn Farmer
Chief Administrative Law Judge
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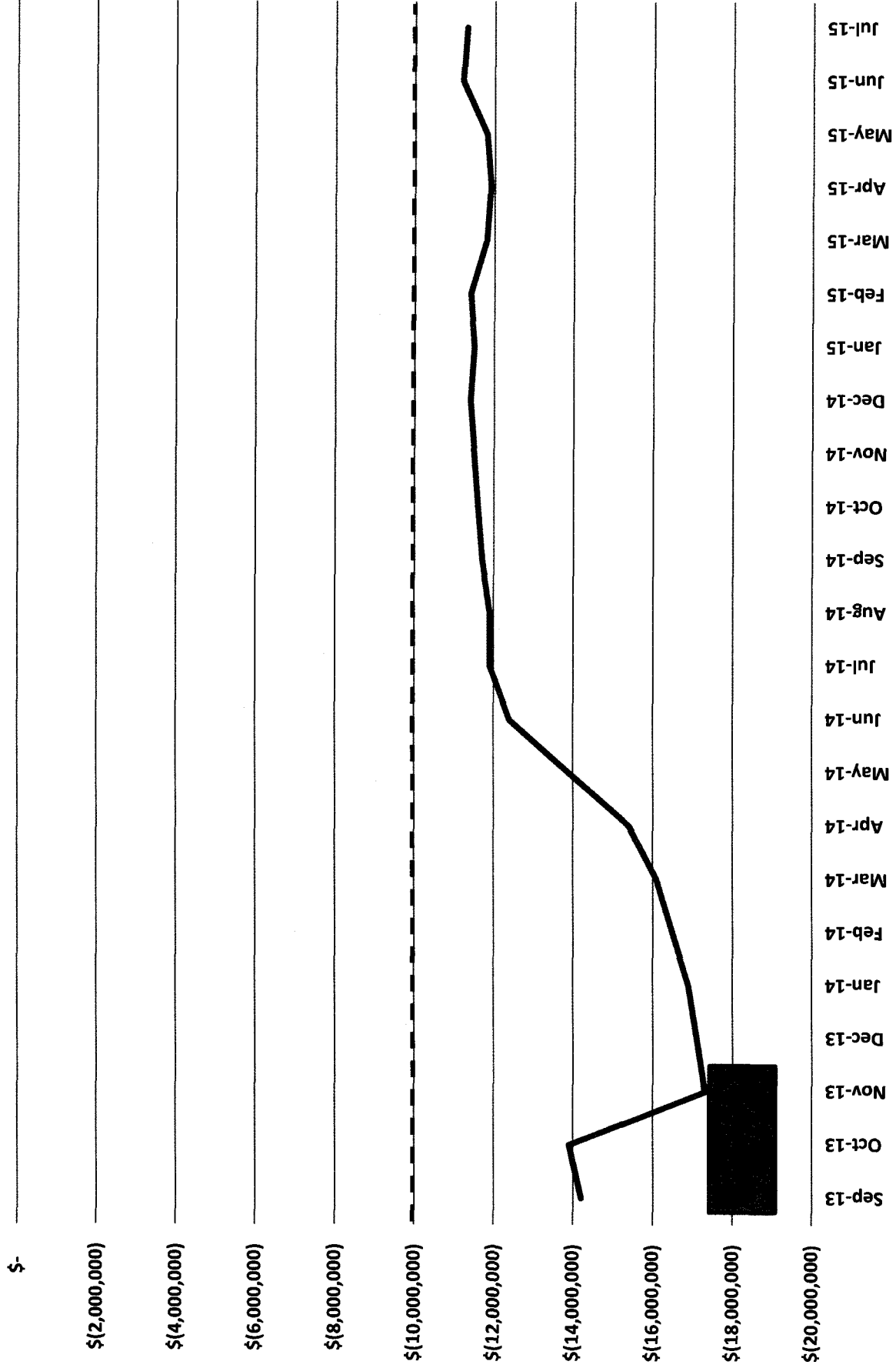
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12 By 
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ATTACHMENT

"A"

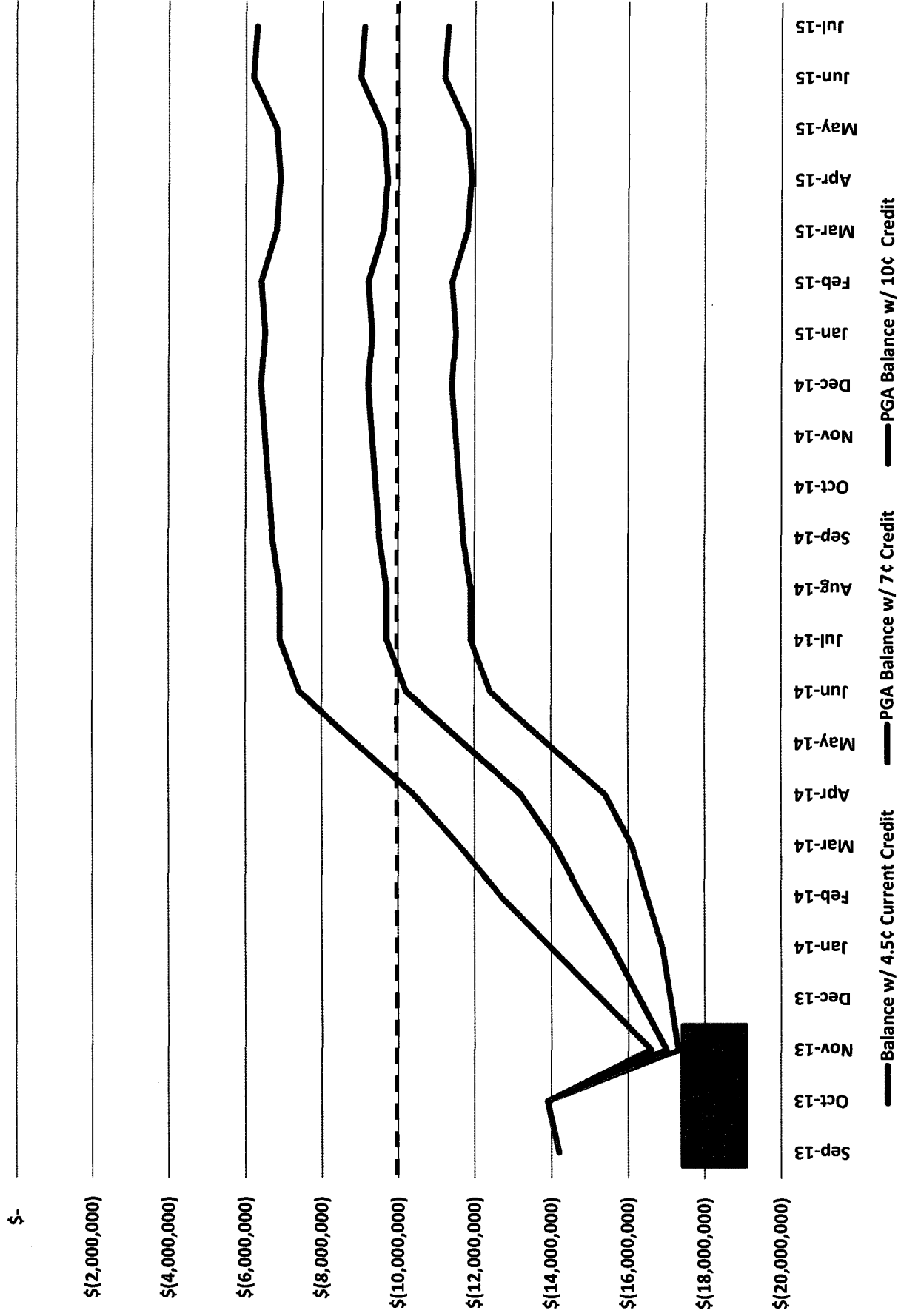
Current Projected PGA Bank Balance



ATTACHMENT

"B"

PGA Bank Balance Scenarios



ATTACHMENT

"C"

UNS GAS, INC.
BILL IMPACTS - PGA RATE UPDATE
Residential Service R-10

Line No.	(A)	(B)	(C)
	Rates	Existing Rates	Existing Rates with Proposed Discounts
1	Customer Charge	\$10.00	\$10.00
2	Delivery Charge per Therm	\$0.3434	\$0.3434
3	DSM	\$0.0084	\$0.008400
4	PGA August 2013 \$.045 Discount	\$0.5055	\$0.4805
5	PGA August 2013 \$.07 Discount		\$0.4505
6	PGA August 2013 \$.10 Discount		
7			
8			
9			
10		Existing Rates & PGA as of August 2013 with Current \$.045 Discount	Existing Rates & PGA as of August 2013 with Proposed \$.10 Discount
11	Average Winter Therm	72	72
12			
13	Customer Charge	\$10.00	\$10.00
14	Delivery Charge	24.59	24.59
15		\$34.59	\$34.59
16			
17	PGA	\$36.20	\$32.26
18	DSM	\$0.60	\$0.60
19	Total Bill	\$71.39	\$67.45
20			
21	Total Bill Dollar Change from Existing August 1 Rates	(\$1.79)	(\$3.94)
22	Total Bill Percent Change from Existing August 1 Rates	-2.51%	-5.52%